

ANNUAL REPORT

December 31, 1949

J. C. PENNEY COMPANY
(A DELAWARE CORPORATION)

OPERATING 1607 RETAIL STORES

J. C. PENNEY COMPANY

A DELAWARE CORPORATION

OFFICERS

J. C. PENNEY

Honorary Chairman of the Board

E. C. SAMS

Chairman of the Board

A. W. HUGHES

President

J. F. BROWN

3rd Vice-President

F. W. BINZEN

Executive Vice-President

A. J. RASKOPF

Secretary

G. E. MACK

2nd Vice-President and Treasurer

R. C. WEIDERMAN

Comptroller

DIRECTORS

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E. C. SAMS, *Chairman*

J. I. H. HERBERT

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J. F. BROWN

A. W. HUGHES

G. E. MACK

H. H. SCHWAMB

J. C. PENNEY COMPANY
A DELAWARE CORPORATION

1949

ANNUAL
REPORT

Stores by States, December 31, 1949

Alabama	12	Iowa	68	Nebraska	51	South Carolina	13
Arizona	18	Kansas	77	Nevada	7	South Dakota	27
Arkansas	18	Kentucky	21	New Hampshire	3	Tennessee	21
California	140	Louisiana	11	New Jersey	4	Texas	121
Colorado	48	Maine	9	New Mexico	17	Utah	30
Connecticut	6	Maryland	5	New York	32	Vermont	4
Delaware	2	Massachusetts	10	North Carolina	31	Virginia	13
Florida	19	Michigan	52	North Dakota	33	Washington	61
Georgia	17	Minnesota	63	Ohio	62	West Virginia	12
Idaho	35	Mississippi	19	Oklahoma	50	Wisconsin	54
Illinois	50	Missouri	51	Oregon	42	Wyoming	23
Indiana	52	Montana	35	Pennsylvania	57		
				Rhode Island	1	Total Stores	1607

TWO YEAR COMPARISON

	<u>1949</u>	<u>1948</u>
Number of Stores.....	1607	1601
<hr/>		
Sales.....	\$880,200,216.98	\$885,195,136.87
Average Sales per Store.....	547,728.82	552,901.40
Net Earnings.....	41,792,675.23	47,753,929.53
Earnings per Share.....	5.08	5.80
Taxes—Federal, State, and Local....	33,583,416.99	36,839,618.19
Taxes per Share.....	4.08	4.48
Dividends.....	24,695,856.00	20,579,880.00
Dividends per Share.....	3.00	2.50
Earnings retained for reinvestment in the business.....	17,096,819.23	27,174,049.53
Inventories.....	132,185,108.15	134,883,814.30
Stockholders' equity.....	174,795,671.74	157,698,852.51
<hr/>		
Number of Stockholders.....	29,100	28,825

TO THE STOCKHOLDERS OF J. C. PENNEY COMPANY

March 10, 1950

The figures on the opposite page summarize briefly the results of the operation of J. C. Penney Company for the year 1949. We believe you will be interested in them, as well as in some comments on certain phases of the operation.

SALES

Sales in 1949 were \$880,200,216.98. This figure was 0.56%, or \$4,994,919.89 less than the sales in 1948, of \$885,195,136.87. 1949 sales represented a considerably larger number of units of merchandise sold than in the previous year, because of lower prices.

FINANCIAL POSITION AND INVENTORY

Cash and Short-term Government Securities, as of December 31st, totalled \$103,157,153.92, an increase of \$10,105,789.28 over the corresponding figure at the end of 1948. The year-end merchandise figure for 1949 was \$132,185,108.15, and for 1948 was \$134,883,814.30. Throughout 1949 the Company made progress toward two objectives generally sought by merchants: first, maintaining a merchandise supply adequate for aggressive selling and, second, controlling the dollar investment on a sound basis.

EARNINGS, DIVIDENDS AND TAXES

Net earnings for the year were \$41,792,675.23, or \$5.08 per share. In the previous year earnings were \$47,753,929.53, or \$5.80 per share. 1949 earnings were affected in a number of ways. During the first half of the year substantial extraordinary markdowns were taken on many important lines, because of the general reduction in the wholesale textile markets at that time. There was some increase over the previous year in expense items, particularly salaries and wages. In order to maintain the Company's competitive position, merchandise was marked on a slightly lower margin and expenditures for promotional and advertising purposes were higher. Despite somewhat lower earnings the results for the year should be, we believe, gratifying to our stockholders, particularly in the light of accomplishments, generally.

Out of the earnings of \$41,792,675.23, or \$5.08 per share, the Company retained or reinvested \$17,096,819.23 for continued operation and growth. Dividends totalling \$3.00 were declared — four dividends of 50¢ each, and an extra dividend of \$1.00 per share.

Federal and other taxes for 1949 amounted to \$33,583,416.99, or \$4.08 per share. This amount represents only taxes paid directly by our Company, and does not include taxes paid by the suppliers, landlords, and others with whom our Company does business. Neither does it include the multiplicity of taxes that exact their toll in the shape of higher costs to American consumers in every item they buy.

In our judgment, the greatest hazard to the interests of stockholders, to all our Company associates, and to the welfare of this country is the present crushing tax burden and the threat of the continually increased drain on our productive and consumptive powers as a nation through the spending and taxing policies of government bodies.

CRESCENT CORSET COMPANY

A sale by Crescent Corset Company, Inc., a wholly owned subsidiary, of its inventory and fixed assets as of January 1, 1950 was consummated on January 31, 1950, and this corporation will be liquidated. The proceeds of the sale were in excess of the J. C. Penney Company's investment in this subsidiary.

Crescent Corset Company, Inc. was organized in 1920 in order to obtain a satisfactory source of supply of corsets and other foundation garments. Its operation over the years has been valuable to the Penney Company. Under present conditions, however, it was deemed advisable for Crescent to avail itself of the opportunity to dispose of its inventories and fixed assets.

This action is in line with the Company's policy of devoting its time and effort to the primary function of efficient and profitable store operations.

STORES

Seven new stores were opened during the year and one store was closed. At the year end there were 1607 Penney stores in operation as compared with 1601 on December 31, 1948. The program of re-locating, re-fixturing and improving stores, upon which the Company has been engaged since the end of hostilities, was carried steadily forward. In all, 157 store plants were improved last year. In 33 communities Penney stores were housed in new buildings. 50 stores were involved in major expansions. The other 74 changes included smaller alterations or improved fixturing of existing plants. The Company's expenditures in connection with these improved plants were confined largely to new fixtures and equipment while the new buildings and major alterations were financed generally by the landlords. Primarily, the Penney Company is in the business of buying and selling merchandise and we feel it is sound to keep our investment in fixed assets within reasonable limits.

MERCHANDISE

The function of the Penney Company, as we see it, is to supply our customers with good merchandise, desirable merchandise, style-right merchandise at the lowest possible price consistent with a continuing and profitable operation. To accomplish this objective, we are conscious always of costs in our business, and endeavor to keep out or to eliminate frills and unnecessary expenses. In order to assure the quality of our merchandise, we have maintained for years a Company laboratory that unceasingly checks merchandise for the quality of materials, for workmanship, and for all the elements that determine wearing quality and customer satisfaction. A trained and skillful group of nearly 200 buyers is in the market daily, bringing to Penney stores throughout the nation merchandise that will serve well, is style-right and that can be worn or used with pride by the millions of families who think of Penney's as their stores.

PENNEY MANAGERS

The greatest single asset of the Penney Company is not listed on the Balance Sheet, included in this report. That asset consists of the people who make up the

Penney Company in the central offices, warehouses and stores. In an organization covering over 1600 communities, the great strength of the Company is found in the managers and associates who operate our 1607 stores.

The Penney store manager is a merchant in his own right. He has been thoroughly trained and tested in Penney stores before he is appointed to management. The Company furnishes the store and the fixtures, but the manager operates that store. The Company furnishes services covering advertising and sales promotional material, but the manager uses these in the ways most effective in his local community. The Company's buyers scour the markets for the pick of the nation's merchandise, but the manager selects therefrom the actual merchandise for his own store in the kinds, quantities and qualities that he needs. The Company furnishes assistance in accounting forms and methods, in employment and training matters, in all phases of store operation, but the manager is responsible for their use. The Company encourages managers to participate in worth-while community enterprises and organizations, but the manager, himself, determines the manner and extent of such cooperation. Because the Penney manager's earnings are, in a large measure, determined by his share of the profits earned in his store, he is, in a very real sense, working for himself. The Penney manager knows also that the opportunity for advancement and for larger responsibilities is as large as is this Company. The result of this principle of operation has been to build a group of Penney managers of whom we all can be proud.

We have taken time in this letter to comment on our managers because you, as stockholders, are entitled to know more about these Penney men who play so important a part in the Company's operation.

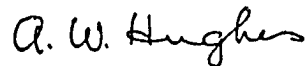
PENNEY ASSOCIATES AND SUPPLIERS

In closing we would like to pay tribute to all associates throughout the Company who made possible the results obtained in 1949. We also acknowledge with sincere appreciation the cooperation and assistance of the thousands of manufacturers and other vendors who have contributed so much to our results by supplying merchandise of Penney quality. It is our feeling that the high type of Penney personnel and the Penney standards in merchandise are such as to warrant your continued confidence and interest in the J. C. Penney Company.

May we invite you to visit your nearest Penney store, if you have not already done so, and become acquainted with the Penney manager, the Penney salesforce, and Penney merchandise.



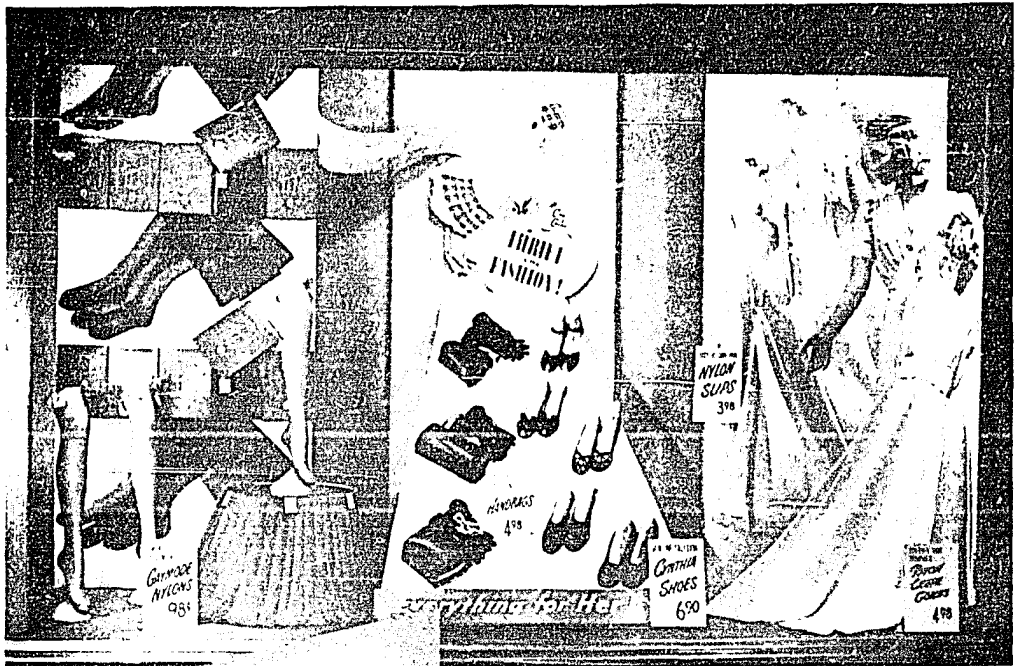
Chairman of the Board



President

The Annual Meeting of Stockholders will be held on April 20th, 1950. You are cordially invited to attend this meeting. A proxy statement, with a request for proxies, will be mailed to stockholders on or about March 22nd. It will be appreciated if you give your prompt attention to the Proxy Statement and Proxy when received.

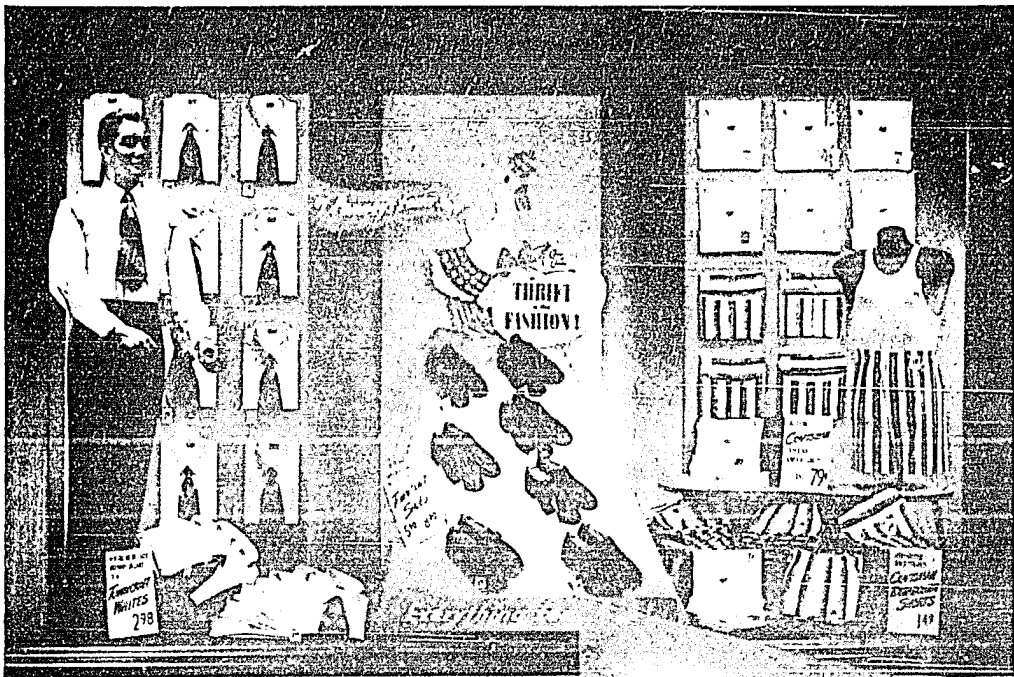
J. C. PENNEY STORES CLOTHE MIL



Style-conscious women from Coast to Coast look to J. C. Penney stores for smart apparel. Penney's is among the world's largest retailers of dresses, coats, suits and sportswear, as well as of many important accessories — hosiery, millinery, shoes, lingerie, foundations, handbags, gloves, neckwear, costume jewelry.

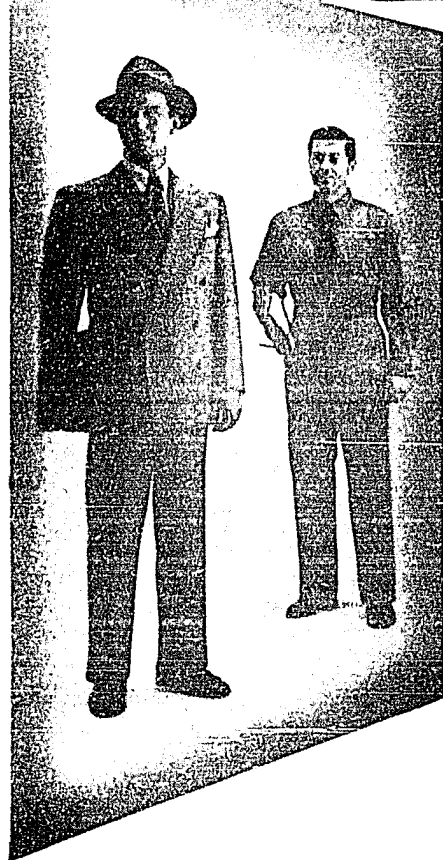
For instance, 51 gauge, 15 denier, full-fashioned nylon hosiery is known to discriminating women the country over as a fashion stocking of high quality. This hose, in our famous GAYMODE brand, was our largest hosiery item in 1949.

LIONS OF THRIFTY AMERICANS

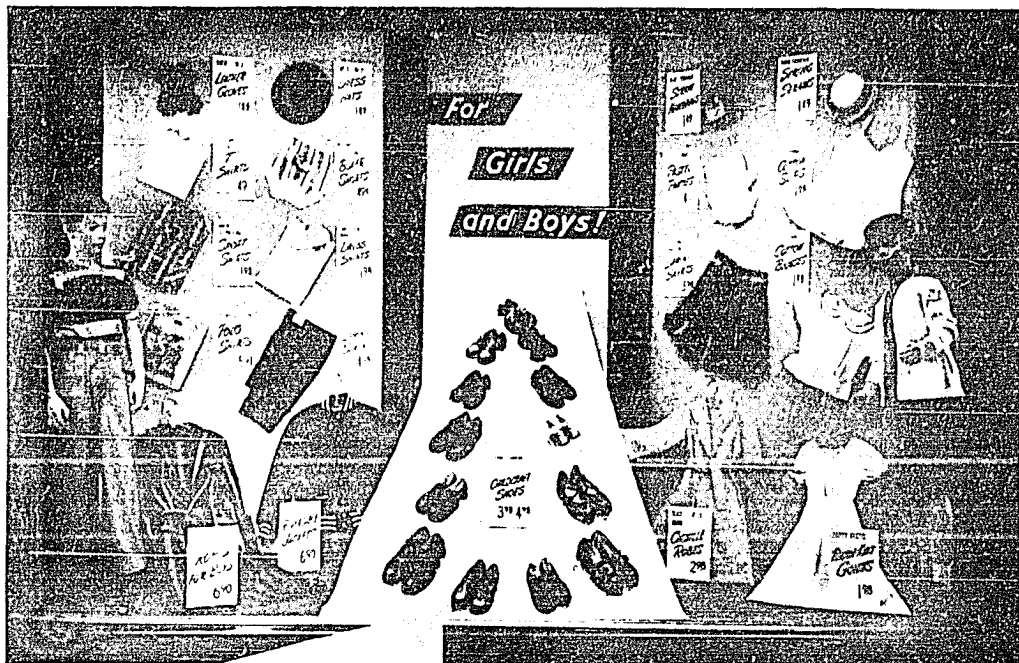


Men's Wear accounts for a substantial share of J. C. Penney Company volume. Suits, overcoats, topcoats, jackets, slacks, hats, shoes, dress and sport shirts, ties, underwear, sleepingwear, gloves . . . and a complete line of work clothing. Here, again, intrinsic value assures Penney customers of quality and good service.

In 1933, for example, the Penney Company pioneered Sanforized overalls. Today, Penney's nationally-famous brands, PAYDAY and BIG MAC, are all Sanforized, as is every work shirt, every pair of overalls and jeans, sold in Penney stores.



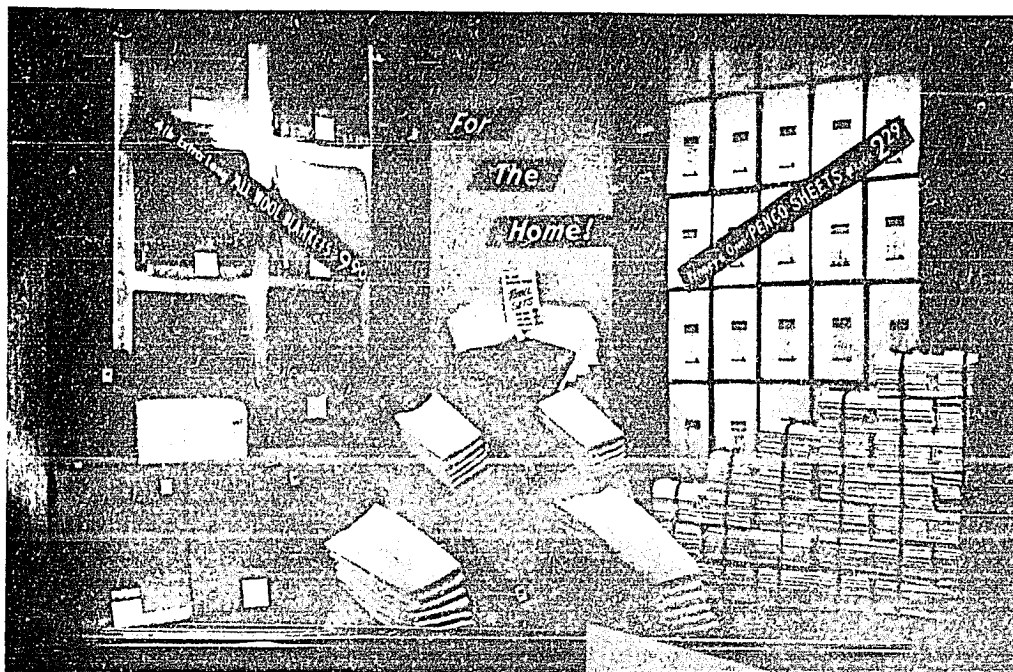
CHILDREN'S WEAR IS A PENNEY SPECIALTY



The Penney Company is proud that millions of young Americans are outfitted regularly, from head to foot, in garments bearing Penney labels. So well-recognized is the Penney position in this important field that it has been featured repeatedly as Back-to-School headquarters by many magazines of national scope.

Penney's CHILD CRAFT Shoes are typical of the care which goes into the detailing of children's merchandise. Lasts and sizing are developed with extreme care; all are Sanitized to retard the growth of germs and fungi which may cause foot disease. The Sanitized process has been thoroughly proved by laboratory tests.

PENNEY STORES ARE FOR HOMEMAKERS



The Penney Company enjoys an enviable position in the field of merchandise designed for America's homemakers. Sheets, curtains, draperies, floor-coverings, blankets, bedspreads, towels, table linens, notions, and needlework, patterns — not to mention all types of fabrics for home decoration and dressmaking.

Penney's own RONDO cotton prints, to single out but one example from the vast array, have achieved universal acclaim. RONDO not only measures up consistently to rigid government standards in washability, but has a rating unmatched in its field for durability, as well as for styling in color and distinctive design.



J. C. Penney Company
BALANCE SHEET
As of December 31, 1949
ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....	\$ 76,134,270.58
U. S. Government securities—at cost, plus accrued interest (approximate market price)	27,022,883.34
Accounts receivable—miscellaneous.....	1,234,240.37
Merchandise (Note 1)	132,185,108.15
Total Current Assets.....	236,576,502.44

Investments in and Advances to Subsidiary Companies
(including retained earnings)—at amounts shown
by subsidiaries' balance sheets:

Advances to wholly-owned subsidiary (J. C. Penney Building & Realty Corporation) ..	\$ 5,319,000.00	
Capital stock and retained earnings:		
J. C. Penney Building & Realty Corporation	1,549,508.48	
Crescent Corset Company, Inc. (since sold)	1,477,871.64	8,346,380.12

Fixed Assets, at not in excess of cost, less provision for depreciation:

Land	1,104,636.29	
Buildings	\$2,725,262.06	
Less provision for depreciation	693,174.84	2,032,087.22
	3,136,723.51	
Furniture and fixtures, less provision for depreciation	21,683,506.30	
Improvements to leaseholds, less amortization	3,451,829.64	28,272,059.45

Deferred Charges — Leasehold Advances, Unexpired Insurance Premiums, etc.	1,914,352.58
	\$275,109,294.59

NOTES:

1—Inventories are stated at the lower of cost or market determined as follows:

Merchandise in stores—lower of cost or market determined by the retail method. Stocks in warehouses and with manufacturers, including raw materials shipped to manufacturers—cost determined by the first-in first-out method and market on the basis of replacement cost.

2—Under the Company's long standing practice most of its properties are occupied under leases. At December 31, 1949 the total of minimum annual fixed rentals payable under leases (excluding those with a wholly owned subsidiary) expiring after December 31, 1954 was approximately \$5,800,000 per annum. Leases covering about 75% of this amount expire on various dates prior to December 31, 1969.

J. C. Penney Company

BALANCE SHEET

As of December 31, 1949

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 59,085,532.07
Dividend payable January 3, 1950	12,347,928.00
Provision for Federal income taxes	25,989,828.38
Total Current Liabilities	<u>97,423,288.45</u>

Reserve for Fire Losses, Employees' Death Benefits, Etc. 2,890,334.40

Stockholders' Equity:

Common Stock, no par value:

Authorized, 9,000,000 shares.

Outstanding, 8,231,952 shares..... \$ 34,122,766.67

Retained Earnings:

J. C. Penney Company..... 137,695,524.95

Subsidiaries 2,977,380.12

140,672,905.07

Total Stockholders' Equity..... 174,795,671.74

\$275,109,294.59

ACCOUNTANTS' REPORT

To the Board of Directors,
J. C. Penney Company,
New York, N. Y.

We have examined the balance sheet of the J. C. Penney Company as of December 31, 1949 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the J. C. Penney Company at December 31, 1949 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.,
March 10, 1950.

PEAT, MARWICK, MITCHELL & CO.

J. C. Penney Company

STATEMENT OF EARNINGS

(Including earnings of subsidiaries)

For the Year ended December 31, 1949

Sales		\$880,200,216.98
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items set forth below)	\$797,620,660.58	
Maintenance and Repairs	2,097,161.89	
Depreciation and Amortization	3,701,688.35	
Taxes, other than Income Taxes	6,733,416.99	
Company Contributions to Retirement Plans . . .	4,141,092.09	814,294,019.90
		<u>65,906,197.08</u>
Discount on Purchases and Miscellaneous Income, less Miscellaneous Charges		<u>2,504,919.74</u>
Earnings before Provision for Income Taxes		68,411,116.82
Provision for Income Taxes:		
Federal income taxes	26,010,000.00	
Other income taxes	<u>840,000.00</u>	<u>26,850,000.00</u>
		41,561,116.82
Add 1949 Earnings of Subsidiaries		231,558.41
Net Earnings		<u><u>\$ 41,792,675.23</u></u>

Note:

Common stock outstanding at end of year . .	<u>8,231,952</u> Shares
Earnings per share	<u>\$5.08</u>

STATEMENT OF RETAINED EARNINGS

For the Year ended December 31, 1949

Balance at December 31, 1948	\$123,576,085.84
Net Earnings for 1949	<u>41,792,675.23</u>
	165,368,761.07
Dividends—\$3.00 per share	<u>24,695,856.00</u>
Balance at December 31, 1949	<u><u>\$140,672,905.07</u></u>

Year-by-Year Sales Figures

1902-1949

<i>Year</i>	<i>No. of Stores</i>	<i>Gross Business</i>	<i>Year</i>	<i>No. of Stores</i>	<i>Gross Business</i>
1902	1	\$ 28,898.11	1926	747	115,683,023.37
1903	1	63,522.95	1927	892	151,957,865.20
1904	2	94,165.49	1928	1,023	176,698,989.14
1905	2	97,653.54	1929	1,395	209,690,417.77
1906	2	127,128.36	1930	1,452	192,943,765.42
1907	2	166,313.82	1931	1,459	173,705,094.52
1908	4	218,432.35	1932	1,473	155,271,981.19
1909	6	310,062.16	1933	1,466	178,773,965.06
1910	14	662,331.16	1934	1,474	212,053,361.46
1911	22	1,183,279.96	1935	1,481	225,936,100.88
1912	34	2,050,641.99	1936	1,496	258,322,479.00
1913	48	2,637,293.72	1937	1,523	275,375,137.32
1914	71	3,560,293.75	1938	1,539	257,963,945.53
1915	86	4,825,072.19	1939	1,554	282,133,933.64
1916	127	8,428,144.34	1940	1,586	304,539,325.64
1917	177	14,881,203.14	1941	1,605	377,571,710.99
1918	197	21,338,103.60	1942	1,611	490,295,173.10
1919	197	28,783,965.42	1943	1,610	489,888,090.69
1920	312	42,846,008.53	1944	1,608	535,362,894.30
1921	313	46,641,928.20	1945	1,602	549,149,147.67
1922	371	49,035,729.06	1946	1,601	676,570,117.03
1923	475	62,188,978.73	1947	1,603	775,872,590.75
1924	569	74,261,343.00	1948	1,601	885,195,136.87
1925	674	91,062,616.17	1949	1,607	880,200,216.98
